

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

MCNEIL-PPC, INC., et al
Plaintiff(s)

v.

MERISANT COMPANY, et al
Defendant(s)

CIVIL NO. 04-1090 (JAG)

**MEMORANDUM, FINDINGS OF FACT AND CONCLUSIONS OF LAW GRANTING
PRELIMINARY INJUNCTIVE RELIEF**

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Background

This is an action for trade dress infringement and false advertising in violation of Sections 43(a)(1)(A) and 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125; common law trademark infringement; violation of Articles 3 and 25 of the Puerto Rico Trademarks Act, 10 L.P.R.A. § 171a and w; and violation of the unfair competition doctrines of Puerto Rico under Article 1802 of the Civil Code of Puerto Rico, 31 L.P.R.A. § 5141.

Plaintiffs McNeil-PPC, Inc. and Johnson & Johnson Hemisferica S.A. (collectively "McNeil") market Splenda®, the leading no-calorie sweetener (based on dollar sales) in the United States and in Puerto Rico. Defendants Merisant Company and Merisant Puerto Rico, Inc. (collectively "Merisant") market a variety of no-calorie sweeteners in competition with Splenda, including three such products in Puerto Rico: Equal®, NutraSweet® and Same®. In terms of volume (as opposed to dollar sales), Same is currently the best selling no-calorie sweetener in Puerto Rico.

On February 5, 2004, McNeil filed a Complaint and Motion for a Preliminary Injunction seeking to prevent Merisant from marketing, under the Same brand name, a new no-calorie sweetener in packaging that is confusingly similar to the trade dress used by McNeil for Splenda. An evidentiary hearing was held on

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February 26, February 27 and March 2, 2004, and arguments of counsel were heard on March 3, 2004. At the conclusion of the hearing, the Court requested the parties to file simultaneous briefs and proposed findings of fact and conclusions of law. Based on the submissions by the parties as well as the evidence admitted at the hearing the Court grants McNeil's Motion for Preliminary Injunctive Relief based on the Findings of Fact and Conclusions of Law that follow.

FINDINGS OF FACT

The Market for No-Calorie Sweeteners

1. Each year, American consumers spend more than \$500 million on artificial sweeteners - products that take the place of sugar but have no calories. Sandler¹, Tr. 2/26/04 at 54.² The market for no-calorie sweeteners is comprised almost entirely of products that contain one of three sweetening ingredients: saccharin, aspartame and sucralose. *Id.* at 55-56.

¹ Debra Sandler, Vice-President of Marketing for McNeil Nutritionals, hereinafter "Sandler".

² The citations to the witnesses' testimony, identified by the name of the witness, the date of the testimony and the transcript page, correspond to the following transcripts on record: 1) transcript for the preliminary injunction hearing held on February 26, 2004, Docket No. 17; 2) transcript for the continuation of the preliminary injunction hearing held on February 27, 2004, Docket No. 23; 3) transcript for the continuation of the preliminary injunction hearing held on March 2, 2004, Docket No. 24; 1) transcript for the continuation of the preliminary injunction hearing held on March 3, 2004, Docket No. 25.

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2. The first artificial sweetener to be sold in the United States was saccharin, which was introduced in roughly 1957 and is the ingredient found in Sweet'N Low, the leading saccharin brand. Sandler, Tr. 2/26/04 at 55.

3. In 1982 an alternative to saccharin - aspartame - was approved by the U.S. Food and Drug Administration ("FDA") for sale in the United States. Sandler, Tr. 2/26/04 at 55. Aspartame is the main sweetening ingredient found in a variety of no-calorie sweetener products, including Equal, the best selling aspartame brand. *Id.* at 56.

4. McNeil sells a third type of no-calorie sweetener called sucralose. Sandler, Tr. 2/26/04 at 56; Sandler Decl. ¶ 6. Sucralose has a different taste from aspartame. Sandler, Tr. 2/26/04 at 57. Sucralose is also more heat stable than aspartame, so sucralose (and not aspartame) can be used for cooking and baking. *Id.* Splenda is marketed to consumers not only in single-serving packets but also in granular form. *Id.* at 58; see PX 31.

5. McNeil's Splenda is the first and only no-calorie sweetener made from sucralose. Sandler, Tr. 2/26/04 at 58. First introduced in Canada in 1991, Splenda is currently available in a dozen countries around the world. *Id.* McNeil first offered Splenda for sale in the United States via the Internet in 1999. *Id.* at 58. In September 2000, McNeil launched Splenda in retail

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stores in the United States. *Id.* The retail launch of Splenda in Puerto Rico occurred in November 2000. *Id.* at 65.

6. Splenda has been a noteworthy success. Within one year of its introduction, Splenda captured nearly 14 percent of the U.S. dollar market for no-calorie sweeteners. By January 2004, Splenda's dollar share of the U.S. market had risen to 45.2 percent - more than Equal and Sweet'N Low combined. Annual sales of Splenda have soared from about \$32 million in 2001 to more than \$200 million in 2003. Sandler, Tr. 2/26/04 at 64-65; PX 71.

7. In Puerto Rico, Splenda currently enjoys a 35.1 percent market share and is the retail market leader based on dollar sales. Annual sales of Splenda have risen from about \$1.7 million in 2001 to almost \$5 million in 2003, and the number of packages sold has increased from roughly 30,000 to more than 200,000 over the same time period. Sandler, Tr. 2/26/04 at 65; PX 72.

Trade Dress of No-Calorie Sweeteners

8. Each of the leading products in the no-calorie sweetener market is sold in distinctive packaging that helps consumers identify the products and distinguish them from other sweeteners in the market. For example, Sweet'N Low, the leading saccharin brand, is marketed in a red and white box and in pink, single-serving packets that feature a musical staff and treble

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clef. Sandler, Tr. 2/26/04 at 67-68; PX 6; PX 26. Equal, the best selling aspartame brand, is distributed in blue packets and in a distinctive blue box that features a large red strawberry on the front panel. Sandler, Tr. 2/26/04 at 69; PX 10; PX 25.

9. Splenda likewise is sold in packaging that readily distinguishes the product from its competitors. The evidence shows that McNeil devoted significant time and resources to develop a trade dress for Splenda that would be distinctive, aesthetically pleasing and memorable to consumers. In particular, McNeil chose a color scheme - pastel yellow with white and blue accents - that easily differentiates Splenda from other no-calorie sweetener products. Sandler, Tr. 2/26/04 at 70-72.

10. The Splenda box is oriented horizontally - that is, it is wider than it is tall. The background color of the box is a soft, pastel yellow. The trade name "Splenda" appears within a white, oval-shaped "cloud," and is printed in blue, cursive-like letters that dim from light to dark blue. On the lower right side of the box's front panel is a photograph of a white coffee cup and saucer, with a yellow Splenda packet resting on the saucer. On the left side of the front panel is a photograph of a glass and pitcher of iced tea with slices of lemon. In the bottom left corner is a circular logo that reads, "made from sugar, tastes like sugar." See Sandler, Tr. 2/26/04 at 72-73; PX 8. The individual Splenda packets are yellow with blue lettering. PX 22.

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The box for granular Splenda uses a similar color scheme and logo, but has different photographs and is oriented vertically instead of horizontally. Sandler, Tr. 2/26/04 at 74; PX 31.

11. McNeil has devoted substantial resources to publicize the Splenda trade dress so that consumers will readily recognize the package on store shelves. Sandler, Tr. 2/26/04 at 74-75. The package has been prominently featured in product advertising in both the continental U.S. and Puerto Rico. *Id.* at 75-76; see PX 35; PX 36; PX 63. Since launching Splenda in late 2000, McNeil has spent roughly \$100 million to promote and publicize the brand to consumers. Approximately \$3 million of this investment has been directed specifically to the Puerto Rico market. Sandler, Tr. 2/26/04 at 76.

12. Research commissioned by McNeil in the ordinary course of business indicates that, as of late 2002, about 60 percent of consumers were aware of Splenda, and roughly 79 percent of those who have used the product within the past month, know that Splenda "comes in a yellow package." Sandler, Tr. 2/26/04 at 85; PX 18 at 2; PX 19 at 10. In contrast, according to the same market study, only 7 percent of consumers are aware of a brand of sugar - cited by Merisant in support of its contention that the color yellow is "functional" for sugar and/or no-calorie sweeteners - comes in a yellow package. Sandler, Tr. 2/26/04 at 84; see PX 7.

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Merisant's New Same Product

13. For approximately the past 10 years, the market for no-calorie sweeteners in Puerto Rico has included an aspartame product known as Same. The record indicates that Same was first introduced in Puerto Rico in 1994. Cuervo³, Tr. 3/2/04 at 84; PX 69. At some point thereafter, The Monsanto Company took over ownership and marketing of the Same brand. Merisant acquired the brand from Monsanto. Cuervo, Tr. 3/2/04 at 7, 63-64.

14. From its introduction until shortly before the commencement of this action, Same was sold in vertically oriented, dark blue boxes with white and light blue lettering, and in predominantly blue single-serving packets. The "Same" brand name appeared on the box in a distinctive blue and white typeface that gave the letters a three-dimensional appearance. This longstanding Same product ("Original" or "Blue" Same) has used aspartame as its sweetening ingredients. PX 3; Sandler, Tr. 2/27/04 at 66; Cuervo, Tr. 3/2/04 at 7, 26.

15. In December 2003, Merisant introduced for sale in Puerto Rico a new no-calorie sweetener product that is the focus of this lawsuit and McNeil's motion. This new product ("New Same" or "Yellow Same") uses the same artificial sweeteners - aspartame and ace-k - as Blue Same. However, instead of dextrose with

³ Francisco Javier Cuervo-Escalona, Vice-President and General Manager for Latin America at Merisant Latin America, hereinafter "Cuervo".

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maltodextrin, Yellow Same uses sugar as its bulking agent or filler. The sugar in New Same does not affect its taste or performance. For example, New Same is no more suitable for cooking than Original Same. Sandler, Tr. 2/26/04 at 182-83; Cuervo, Tr. 3/2/04 at 49-51. Rather, according to the testimony by one of Merisant's executives, sugar is included in the product solely for two reasons: (i) to reduce production costs; and (ii) to give the product a more "natural" image. Cuervo, Tr. 3/2/04 at 51.

16. Aside from the fact that they use different fillers, the primary difference between Original Same and New Same is their packaging. While Original Same comes in a blue, vertically oriented box and blue packets, New Same comes in a pastel yellow, horizontally oriented box and yellow packets. Indeed, the color scheme and overall design of the New Same packaging is radically different from that of Original Same. But it is strikingly similar in appearance to the trade dress of Splenda. Sandler, Tr. 2/26/04 at 92-93; Cuervo, Tr. 3/2/04 at 52-59; PX 2; PX 3.

17. Among other similarities, both the Splenda and Yellow Same packages include:

A closely similar, pastel yellow background color;

A brand name positioned inside a white, oval-shaped cloud;

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Brand name lettering that dims from light to dark blue;

A photograph in the lower right corner of the front panel, taken from the same angle, of a white saucer and cup filled with coffee;

An image of a beverage and fruit on the left side of the front panel;

An informational banner in the lower left corner of the front panel, stating that the product is either "made from sugar" (in the case of Splenda) or "made with sugar" (in the case of Yellow Same);

Identical orientation and closely similar box dimensions for all product sizes (see Sandler, Tr. 2/26/04 at 93-94; PX 33)⁴; and

A strikingly similar overall layout (e.g., size and placement of photographs, selection of photos, size and location of brand name).

See PX 8; PX 9.

18. Merisant is marketing its New Same product in direct competition with McNeil's Splenda. A selling sheet used by Merisant to market New Same to retailers points out that New Same is priced lower than its "competitor." The prices shown for the "competitor" are those of Splenda (and only Splenda). Sandler, Tr. 2/26/04 at 95; PX 15. Merisant's internal documents, offered in evidence at the hearing by Merisant, reveal that New Same will

⁴ To the minor extent that the package dimensions differ, the differences are attributable primarily to the depth of each package which, ordinarily, is not visible to a consumer when the products are viewed on store shelves. Sandler, Tr. 2/26/04 at 93-94; Cuervo, Tr. 3/2/04 at 60.

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be positioned "directly against other products that claim to be made from sugar." DX W. As the evidence showed, there is only one such product - Splenda. Sandler, Tr. 2/26/04 at 96; Cuervo, Tr. 3/2/04 at 76-77. Indeed, Merisant itself predicts that purchasers of Yellow Same "will derive . . . 60% [from] Splenda users" DX X.

CONCLUSIONS OF LAW

1. A party seeking a preliminary injunction must establish that:

- (1) it is substantially likely to succeed on the merits of its claim;
- (2) it faces a significant risk of irreparable harm absent preliminary relief;
- (3) the balance of hardships weighs in the moving party's favor; and
- (4) the injunction serves the public interest.

TEC Eng'g Corp. v. Budget Molders Supply, Inc., 82 F.3d 542, 544 (1st Cir. 1996). McNeil has satisfied all four prongs of this test, and is entitled to preliminary injunctive relief.

I. McNeil Is Likely To Succeed On the Merits of Its Trade Dress Infringement Claim

2. Section 43(a)(1)(A) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A), prohibits the use of any word, term, name, symbol, or device that:

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is likely to cause confusion, or to cause mistake or to deceive as to the affiliation, connection, or association of such person with another person, or as to origin, sponsorship, or approval of his or her goods, services or commercial activities by another person . . .

The Lanham Act protects not only words and symbols, but also "trade dress" - "the design and appearance of [a] product together with the elements making up the overall image that serves to identify the product presented to the consumer." *TeleRep Caribe, Inc. v. Zambrano*, 146 F. Supp. 2d 134, 138 (D.P.R. 2001) (citation and internal quotation signals omitted) (brackets in original). "Trade dress is the way a company dresses its goods for market." *Veryfine Prods., Inc. v. Colon Bros., Inc.*, 799 F. Supp. 240, 246 (D.P.R. 1992). Trade dress may include features such as size, shape, color, graphics, and any combination of such features. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 765 n.1 (1992). Product packaging is the quintessential form of trade dress and "normally **is** taken by the consumer to indicate origin[.]" *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 209, 215 (2000) (emphasis in original).

3. The key elements that must be established to prove a claim of trade dress infringement are:

- (1) that the trade dress in question is protectable - either because it is "inherently distinctive" or because it has acquired "secondary meaning" among consumers; and

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- (2) that the products at issue are sufficiently similar in appearance that consumers are likely to confuse them in the marketplace.

See 15 U.S.C. § 1125(a)(1)(A); *TeleRep Caribe*, 146 F. Supp. 2d at 138-39. The trade dress in question must also be nonfunctional. See *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 850 n.10 (1982) (a feature is functional if it is essential to the use or purpose of the article or affects the cost or quality of the article). McNeil has shown that it is highly likely to succeed in establishing each of these elements.

A. The Splenda Trade Dress Is Entitled To Protection

4. Under the Lanham Act, trade dress can be protected either if it is inherently distinctive or if it has acquired secondary meaning. The Splenda trade dress is entitled to protection on either theory.

1. The Splenda Trade Dress Is Inherently Distinctive

5. Trade dress is inherently distinctive if its "intrinsic nature serves to identify a particular source." *Wal-Mart*, 529 U.S. at 210. Where, as here, the trade dress for which protection is sought is product **packaging**, as opposed to product **configuration**, the inherent distinctiveness test is more readily met. As the U.S. Supreme Court recently explained:

the very purpose of . . . encasing [a product] in [] distinctive packaging, is most often to identify the source of the product. Although the . . . packaging can serve subsidiary

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functions . . . [its] predominant function remains source identification. Consumers are therefore predisposed to regard those symbols as indication of the producer, which is why such symbols "almost **automatically** tell a customer that they refer to a brand" and "immediately . . . signal a brand or a product 'source.'"

Wal-Mart, 529 U.S. at 212-13 (quoting *Qualitex Co. v. Jacobson Prods.*, 514 U.S. 159, 162-63 (1995)).

6. To determine whether a particular package design is inherently distinctive, a court must look to the test first set out in *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) ("*Abercrombie*"), and later adopted by the U.S. Supreme Court in *Two Pesos*. Under the *Abercrombie* test, the court first determines whether the trade dress sought to be protected is (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful. If the design falls into the first category - generic - it can never be protected. If it falls into the second category - descriptive - it may be protected upon a showing of secondary meaning. If the package design falls into any of the remaining three categories - suggestive, arbitrary or fanciful - it is deemed inherently distinctive and is automatically entitled to protection. *Two Pesos*, 505 U.S. at 768 ("The latter three categories of marks, because their intrinsic nature serves to identify a particular source of a product, are deemed inherently distinctive and are entitled to protection.").

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7. The overall combination of elements used in the Splenda package - including its color scheme, dimensions, and graphical design - is not "generic," and does not merely "describe" the product. In fact, the package's overall appearance is arbitrary or, at the very worst, "suggestive" of the nature of the goods. Accordingly, the Splenda trade dress is inherently distinctive and entitled to protection.

8. Merisant argues that the Splenda trade dress is not inherently distinctive because certain elements included on the Splenda package, such as the photographs of a coffee cup and a glass of iced tea, are commonly found on packaging for no-calorie sweeteners. But "[t]he inquiry into distinctiveness turns on the total appearance of the product, not on individual elements." *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 39 (1st Cir. 1998) (citation omitted). "One could no more deny protection to a trade dress for using commonly used elements than one could deny protection to a trademark because it consisted of a combination of commonly used letters of the alphabet." *Paddington Corp. v. Attiki Importers & Distribs., Inc.*, 996 F.2d 577, 584 (2d Cir. 1993).

9. Courts have repeatedly found product packages similar to that of Splenda to be inherently distinctive, notwithstanding their incorporation of some common or descriptive elements. For example, in *Cumberland Packing Corp. v. Monsanto*

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Co., 32 F. Supp. 2d 561, 568 (E.D.N.Y. 1999), a case on which Merisant relies, the court found that the packaging of plaintiff's sweeteners contained "generic" elements that are commonly found on sweetener packaging, such as "images of a coffee cup, glass of ice tea, or individually wrapped paper packets." *Id.* "Viewed as discrete elements, these do not help distinguish plaintiff's product[.]" *Id.* Nevertheless, the court held that "the combination of the elements in plaintiff's trade dress creates a 'suggestive' package capable of identifying each product with a particular source." *Id.* In explaining this holding, the court noted that "[a] product's distinctiveness is based on the way the trade dress appears to the observer **when viewed as a whole.**

Individual aspects of the dress may be generic, but as long as the overall combination of the design is likely to identify the particular source of a product, its total impression is inherently distinctive." *Id.* (emphasis added) (citation omitted).

10. Similarly, in *Mexican Food Specialties, Inc. v. Festida Foods, Ltd.*, 953 F. Supp. 846, 850 (E.D. Mich. 1997), the court held that the packaging for the plaintiff's tortillas was inherently distinctive because "the overall appearance of the product's packaging . . . is 'undeniably arbitrary.'" The court acknowledged that "some of the features of the Don Marcos package are generic or descriptive, [e.g.,] the depiction of an individual wearing a sombrero, the use of red and green to signify a

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connection to Mexico, the use of a corn or wheat stalk and the use of the title 'Don.'" The court nonetheless held that "it is the combination of elements and the total impression that the dress gives to the observer that should be the focus of a court's analysis of distinctiveness." *Id.* (citation omitted).

11. Merisant cites *Maple Grove Farms of Utah, Inc. v. Euro-Can Prods., Inc.*, 974 F. Supp. 85, 93 (D. Mass. 1997), for the proposition that "elements . . . typical of the industry are not inherently distinctive." See Response to Order To Show Cause at 13. In fact, *Maple Grove* holds the opposite:

Notwithstanding the commonality of many of the elements of Plaintiff's trade dress, a reasonable jury could conclude that, in combination, such elements render Plaintiff's jugs inherently distinctive. . . . "Trade dresses often utilize commonly used lettering styles, geometric shapes, or colors, or incorporate descriptive elements, such as an illustration of the sun on a bottle of suntan lotion. While each of these elements individually would not be inherently distinctive, it is the combination of elements and the total impression that the dress gives to the observer that should be the focus of a court's analysis of distinctiveness. If the overall dress is arbitrary, fanciful, or suggestive, it is inherently distinctive despite its incorporation of generic or descriptive elements."

Id. at 93 (citing *Paddington*, 996 F.2d at 584).

12. In urging the Court to find that the Splenda trade dress is not inherently distinctive, Merisant cites a collection of cases that involve the design or configuration of an actual

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product, rather than its packaging. Merisant's reliance on product configuration cases is misplaced.

13. Courts have frequently expressed reluctance to grant trade dress protection to the design of a product. Such protection can hinder competition and create monopoly rights of indefinite term, exceeding the limited exclusivity available, for instance, under the patent laws. See, e.g., *Landscape Forms, Inc. v. Columbia Cascade, Co.*, 113 F.3d 373, 380 (2d Cir. 1997) ("[G]ranting trade dress protection to an ordinary product design would create a monopoly in the goods themselves. For this reason, courts have exercised particular 'caution' when extending protection to product design."); *Thomas & Betts Corp. v. Panduit Corp.*, 65 F.3d 654, 658 (7th Cir. 1995). In contrast, when it comes to product packaging, "the producer has 'almost unlimited' choices among the possible ways it can present its product" Thus, "[i]ndividual aspects of the dress may be generic, but as long as the overall combination of the design is likely to identify the particular source of a product, its total impression is inherently distinctive." For this reason, product packaging "typically . . . will be arbitrary or fanciful and thus inherently distinctive, and the only real question for the courts will be whether there is a likelihood of confusion between the products" *Winner Int'l LLC v. Omori Enterprises, Inc.*, 60 F. Supp. 2d 62, 67 (E.D.N.Y. 1999) (citing *Paddington Corp.*, 996 F.2d at

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583, and *Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc.*, 58 F.3d 27, 32 (2d Cir. 1995)); see also Restatement (Third) of Unfair Competition § 16 Comment b, at 158 (1995) ("The wide range of designs available for labels and packaging generally permits the recognition of exclusive rights without significantly hindering competition. Trade dress that is unique and prominent may thus be inherently distinctive.").

14. Merisant also relies on the First Circuit's holding in *Yankee Candle Co., Inc. v. Bridgewater Candle Co.*, 259 F.3d 25 (1st Cir. 2001). The plaintiff in *Yankee Candle* sought trade dress protection for (1) a combination of its candles and the objects used to display and promote them - items that the court deemed to constitute product design or configuration, not packaging; and (2) "features common to a set of labels, as opposed to a specific label common to a host of [plaintiff's] goods." *Yankee Candle*, 259 F.3d at 40, 42. The court held that the product design/configuration trade dress could only be protected upon a showing of secondary meaning. *Id.* at 41. As for the plaintiff's various stick-on labels, although the court acknowledged that the labels presented a "classic case of product packaging," it cautioned that "[a] trade dress plaintiff seeking to protect a series or line of products faces a particularly difficult challenge, as it must show that the appearance of the several products is sufficiently distinct and unique to merit

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protection.” *Id.* (citation and internal quotation signals omitted). “Moreover, trade dress claims across a line of products present special concerns in their ability to artificially limit competition, as such claims are generally broader in scope than claims relating to an individual item.” *Id.* at 42 (citation omitted). The court held that the individual features of the labels used on plaintiff’s entire product line (such as images of particular plants or flowers to connote corresponding fragrances) were functional and common and, therefore, not inherently distinctive. *Id.* at 42-43.

15. The plaintiff in *Yankee Candle* thus sought much broader protection than McNeil seeks here. McNeil does not seek to protect a product design/configuration, nor does it claim exclusive rights in the labels or packaging for an entire line of products. McNeil seeks to protect only the packaging for its Splenda packets. Accordingly, *Yankee Candle* is inapposite.

16. *Landscape Forms*, upon which Merisant also relies, is likewise inapposite. In *Landscape* the plaintiff sought to protect the design features of a line of outdoor furniture. 113 F.3d at 381. *Landscape* is thus a product design/configuration case and a product line case. In rejecting the plaintiff’s claims, the Second Circuit noted the heavier burden that attaches in such cases, while at the same time observing that the situation is quite different when the trade dress sought to be protected is

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mere packaging. As the Second Circuit put it, "packaging is usually indicative of a product's source, while the design or configuration of the product is usually not so." *Id.* at 379.

17. In sum, the overall appearance of the Splenda package is unique and identifiable, and is thus entitled to protection as inherently distinctive. Competitors in the no-calorie sweetener market have at their disposal innumerable combinations of colors, shapes, sizes, graphics, typefaces, and other individual features that can be assembled to create distinctive packaging. There is no danger that granting protection to the Splenda trade dress will stifle competition, as Merisant suggests. McNeil is substantially likely to prevail on its claim that the Splenda package is inherently distinctive and entitled to trade dress protection.

2. The Splenda Trade Dress Has Acquired Secondary Meaning

18. Even if the Court were disinclined to find that the Splenda trade dress is inherently distinctive, McNeil has shown a substantial likelihood of success in demonstrating that the packaging for Splenda has acquired secondary meaning. Trade dress acquires secondary meaning when "in the minds of the public, the primary significance of [the dress] is to identify the source of the product rather than the product itself." *Wal-Mart*, 529 U.S. at 211 (quoting *Inwood Labs.*, 456 U.S. at 851 n.11). Direct

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evidence of secondary meaning includes consumer surveys and testimony of individual consumers. *See Yankee Candle*, 259 F.3d at 43.

a. McNeil's Secondary Meaning Survey

19. At the preliminary injunction hearing, McNeil offered into evidence a consumer survey that shows that the Splenda trade dress has achieved secondary meaning among consumers in Puerto Rico. McNeil's survey was designed and analyzed by Dr. Michael Mazis, a professor of marketing at the Kogod School of Business, American University. Professor Mazis is a highly qualified expert with decades of experience in academia, government, and business. In addition to teaching university courses and publishing dozens of scholarly articles on consumer research, behavior and marketing, Professor Mazis has conducted numerous surveys, including surveys on behalf of the Federal Trade Commission, the FDA, the Consumer Product Safety Commission, the United States Mint, the Bureau of Alcohol Tobacco and Firearms, and the State of California. *See Mazis*⁵, Tr. 2/27/04 at 2-4; PX 55; PX 68. Professor Mazis has previously testified as an expert witness on behalf of a variety of parties, including the government.

⁵ Michael Mazis, Professor of Marketing in the School of Business at American University in Washington D.C., hereinafter "Mazis".

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20. Professor Mazis prepared the questions for McNeil's secondary meaning survey in English. The questions were then translated into Spanish and all interviews were conducted in Spanish. The survey was administered and validated⁶ by Advanced Research Center, Inc. Interviews were conducted in geographically dispersed locations throughout Puerto Rico by Conscious Marketing. Mazis, Tr. 2/27/04 at 19; PX 56 at 1.

21. In the survey, consumers who *both* (a) have purchased a no-calorie sweetener in the past three months, and (b) plan to do so again in the next three months, were shown one of two packages. One group - the so-called "test" group - was shown a package that contained the graphics used on the actual Splenda package, but with all textual references to Splenda, including the brand name, removed. Mazis, Tr. 2/27/04 at 7; PX 49. The package was then removed, and respondents were asked a series of questions. Mazis, Tr. 2/27/04 at 14. This methodology has been used and approved by courts in numerous cases, including *McNeil-PPC, Inc. v. Granutec Inc.*, 919 F. Supp. 198 (E.D.N.C. 1995), a case on which Merisant relies. See PX 45 (Granutec survey report); see also *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 384 (7th Cir. 1976), *superceded on other grounds by statute*

⁶ "Validation" involves recontacting respondents by telephone to confirm that they were interviewed and gave the answers indicated on their questionnaires. Johnson, Tr. 2/27/04 at 183-84. Advanced Research validated approximately 50 percent of the interviews in McNeil's survey. PX 56 at 1.

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as stated in *Scandia Down Corp. v. Euroquilt, Inc.* 772 F.2d 1423 (7th Cir. 1985).

22. Consumers shown the test package were first asked, "Have you ever seen or purchased a No-Calorie Sweetener that looks like the one I showed you or don't you know?" 87 percent of the respondents answered "Yes." Mazis, Tr. 2/27/04 at 21; PX 59 (English Questionnaire); PX 61 (Spanish Questionnaire); PX 56 at 8 (Survey Tabulations); PX 73 (Survey Conclusions).

23. These consumers were then asked, "Have you seen or purchased 'Only One Brand' or 'More Than One Brand' of No-Calorie Sweetener that looks like the one I showed you or 'Don't You Know?'" 146 of the 200 consumers in the test group - 73 percent - said that they had seen or purchased "Only One Brand." Mazis, Tr. 2/27/04 at 22; PX 59; PX 61; PX 56 at 10; PX 73.

24. Respondents were next asked, "What do you think is the brand name of the No-Calorie Sweetener that I showed you?" 125 of the 146 respondents who had indicated that they had seen or purchased only one such brand - 62.5 percent of all the category purchasers in the test group - identified the product as Splenda. Mazis, Tr. 2/27/94 at 22-23; PX 59; PX 61; PX 56 at 12. When asked "why do you think that?" respondents overwhelmingly cited the color, design and configuration of the package as the basis for their answers. Mazis, Tr. 2/27/04 at 25-26; see PX 59; PX 61; PX 56 at 14. The reason most frequently cited (by 55 percent of

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all respondents in the test group) was the "[c]olor of the box."

Mazis, Tr. 2/27/04 at 25-26; PX 56 at 14.

25. A second group of 100 consumers - the so-called "control" group - was shown a different package that does not resemble the current Splenda trade dress, but nonetheless appears to be an authentic package for a no-calorie sweetener. Mazis, Tr. 2/27/04 at 9; PX 50. Indeed, this package was actually used by McNeil to market Splenda over the Internet (though not in Puerto Rico) for a few months in 1999, before McNeil launched Splenda in stores in its current packaging. Sandler, Tr. 2/26/04 at 59-60; PX 51. As with the test package, all textual references to Splenda were removed. See PX 50.

26. Consumers in the "control" group were asked the same questions as those in the "test" group. Mazis, Tr. 2/27/04 at 9-10, 23; PX 59; PX 61. Only four respondents in the control group - four percent - said that they associated the control package with Splenda. This represents the "noise" level of the survey - *i.e.*, the approximate percentage of respondents who answer "Splenda" for reasons unrelated to the package they are shown (*e.g.*, guessing, brand awareness or popularity, etc.). Mazis, Tr. 2/27/04 at 9-10, 23. Subtracting this four percent from the 62.5 percent of respondents in the test group who associated the test package with only the Splenda brand, the survey shows a "net" level of recognition of the Splenda trade

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dress of 58.5 percent. This percentage is more than sufficient to establish secondary meaning. See *I.P. Lund*, 118 F. Supp. 2d at 107 ("a 50-percent figure (or higher) for consumer association of a product with one unique source is typically regarded as sufficient to establish secondary meaning") (citing *Spraying Sys. Co. v. Delavan, Inc.*, 975 F.2d 387, 394 (7th Cir. 1992)); *Granutec*, 919 F. Supp. at 202 (finding secondary meaning based on survey results showing a 38 percent recognition level among category purchasers and 50 percent among product users).

27. Based on his secondary meaning survey, Professor Mazis concluded that:

The Splenda trade dress is recognized by a high percentage (87 percent) of purchasers of no-calorie sweeteners in Puerto Rico;

A high percentage of category purchasers (73 percent) associate the Splenda trade dress with only one brand of no-calorie sweetener; and

A substantial majority of category purchasers - 58.5 percent net of "noise" - identify Splenda as the single brand or source associated with the Splenda trade dress.

PX 73. These data strongly support a conclusion that McNeil is likely to prevail in establishing that the Splenda trade dress has acquired secondary meaning among consumers in Puerto Rico.

28. At the preliminary injunction hearing, Merisant attacked McNeil's survey primarily on the basis that approximately 35 of the questionnaires from the control group bear a marking

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that suggests that the respondents might have been shown a yellow test package instead of a white control package. See Mazis, Tr. 2/27/04 at 89-91, 118-123. Merisant argues that this renders the entire survey unreliable, and that the Court should exclude the survey from consideration.

29. As Professor Mazis explained, he originally intended that the questionnaires used for the "test" group be labeled "Version 1" and that those used for the control group be labeled "Version 2." In addition, Professor Mazis directed that the "Version 1" or test group questionnaires be printed on yellow paper, and the "Version 2" or control group questionnaires be printed on white paper. This would allow for two means of determining which questionnaires belonged in which group. Mazis, Tr. 2/27/04 at 17-18.

30. As it turned out, all of the questionnaires were printed with "Version 1" at the top; there were no "Version 2" questionnaires. Mazis, Tr. 2/27/04 at 17-18. Thus, the field at the top of each questionnaire that asked the interviewer to circle "Version 1" or "Version 2" became superfluous. *Id.* at 120, 123. Professor Mazis confirmed that (1) interviewers *always* used the yellow questionnaire when they showed a respondent the yellow or test package, and used the white questionnaire when they showed a respondent the white or control package; and (2) *all* of the yellow questionnaires were tabulated as "test" interviews, and *all* of the

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white questionnaires were tabulated as "control" interviews. *Id.* at 120 This undoubtedly is correct; otherwise, when the results were tabulated, there would have been more than 200 "test" interviews and fewer than 100 "control" interviews. Indeed, had the error hypothesized by Merisant actually taken place, it would have biased the results of the survey *against* McNeil, because respondents in the control group mistakenly shown the yellow test package would likely have identified it as Splenda - driving up the "noise" percentage to be subtracted from the findings in the test group.

31. It is true, of course, that the Supreme Court's holdings in *Daubert v. Merrell Dow Pharms.*, 509 U.S. 579 (1993), and *Kumho Tire Co., Ltd. v. Carmichael*, 526 U.S. 141 (1999), which require that certain standards be met before expert scientific testimony can be accepted and relied upon by a tribunal, apply to survey research as well as other types of expert testimony. But in general, courts are loathe to exclude consumer surveys from evidence. "[T]he majority rule is that while technical deficiencies can reduce a survey's weight, they will not prevent the survey from being admitted into evidence." *Mark Bric Display Corp. v. Joseph Struhl Co.*, No. C.A. 98-532ML, 2003 WL 21696318, *9 (D.R.I. July 9, 2003) (brackets in the original) (quoting J. Thomas McCarthy, 5 *McCarthy on Trademarks and Unfair Competition* § 32:170, at 32-275). So long as the survey is conducted according

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to accepted principles, "survey evidence should ordinarily be found sufficiently reliable under *Daubert*." *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1143 (9th Cir. 1997). See also *Harolds Stores, Inc. v. Dillard Dep't Stores, Inc.*, 82 F.3d 1533, 1544 (10th Cir. 1996) ("Technical and methodological deficiencies in the survey . . . bear on the weight of the evidence, not the survey's admissibility."); *Insty*Bit, Inc. v. Poly-Tech Indus., Inc.*, 95 F.3d 663, 671 (8th Cir. 1996) (flaws in surveys go to the weight the trier of fact should place on the survey's results); *AHP Subsidiary Holding Co. v. Stuart Hale Co.*, 1 F.3d 611 (7th Cir. 1993) (survey will rarely be so flawed as to be completely unhelpful to the trier of fact and therefore inadmissible); Federal Judicial Center, *Manual for Complex Litigation* §11.493, at 103 (4th ed. 2004) ("Even if the court finds deficiencies in the proponent's showing" that the population was properly chosen and defined, that the sample was representative of that population, that the data was accurately reported and properly analyzed, "the court may receive the evidence subject to argument going to its weight and probative value."). McNeil's survey satisfies these standards of admissibility, and Merisant's motion to exclude it should be denied.

b. Additional Evidence of Secondary Meaning

32. Even without Professor Mazis's survey, the record contains sufficient evidence to support the Court's conclusion

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that McNeil is likely to prevail in demonstrating that the Splenda trade dress has acquired secondary meaning. As courts have long recognized, aside from survey evidence, secondary meaning may be inferred from factors such as (1) the length and exclusivity of use of the trade dress; (2) the size or prominence of plaintiff's enterprise; (3) the existence of substantial advertising; (4) the product's established place in the market; and (5) proof of intentional copying. *TeleRep Caribe, Inc. v. Zambrano*, 146 F. Supp. 2d 134, 140 (D.P.R. 2001); *accord Yankee Candle*, 259 F.3d at 43-44. Here, these considerations strongly support a conclusion that the Splenda trade dress has achieved secondary meaning.

33. As noted above, since its introduction in 2000, Splenda has enjoyed an extraordinary level of commercial success. Its more than \$200 million in annual U.S. sales, and \$5 million of sales each year in Puerto Rico, make it the leading no-calorie sweetener (based on dollar sales) in both markets. McNeil has spent more than \$100 million to publicize the Splenda brand to consumers (roughly \$3 million in Puerto Rico), and substantially all of this advertising includes prominent images of the Splenda trade dress. It is therefore reasonable to conclude that consumers are familiar with the Splenda trade dress, and can readily identify the product when they go to the store to purchase a no-calorie sweetener.

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34. Moreover, apart from Yellow Same, Splenda is (and since its introduction has been) the only no-calorie sweetener on the market sold in pastel yellow packaging. Sandler, Tr. 2/26/04 at 70-71. Indeed, with the exception of an extremely minor brand known as Sugar Twin (see Section I.B.6., ¶ 79, below), Splenda is the only such product whose trade dress features any shade of yellow. As both Professor Mazis's secondary meaning survey and McNeil's ordinary course of business survey indicate, consumers of no-calorie sweeteners have come to strongly associate the color yellow with Splenda. PX 18 at 2; PX 19 at 10. This supports a finding of secondary meaning in this case. See *Quaker Oats Co. v. Mel Appel Enterprises, Inc.*, 703 F. Supp. 1054, 1058, 1061 (S.D.N.Y. 1989) (ordinary course of business survey showing significant recognition of plaintiff's trade dress sufficient to support finding of secondary meaning for purposes of preliminary injunction).

35. Finally, as discussed in greater detail below (see Section I.B.7), the record strongly supports a conclusion that Merisant intentionally copied the Splenda trade dress in order to position Yellow Same to compete against Splenda. Copying is itself evidence that a trade dress has acquired secondary meaning, because there is no incentive for a competitor to copy a design that has no recognition among consumers. See *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 32 (1st Cir. 1989) (defendant's

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choice of similar designs showed intent to trade on the plaintiff's sponsorship and management of the Boston Marathon). Merisant's evident copying of the Splenda package design thus bolsters the conclusion that McNeil is likely to succeed in proving that the Splenda trade dress has acquired secondary meaning.

36. Courts have found secondary meaning on the basis of far less evidence than that presented here by McNeil. See *DanaBraun, Inc. v SML Sport Ltd.*, No. 03 Civ. 6405(BSJ), 2003 WL 22832265, *2 (S.D.N.Y. 2003) (concluding that plaintiff's catalog had acquired secondary meaning solely on the bases that it is distributed to 10,000 retailers three to four times a year and evidence that defendants intentionally copied the trade dress); *Direct Marketing of Virginia, Inc. v. E. Mishan & Sons, Inc.*, 753 F. Supp. 100, 105-06 (S.D.N.Y. 1990) (granting plaintiff's motion for a preliminary injunction and concluding that the trade dress of plaintiff's watch had acquired secondary meaning based on \$5 million in advertising, \$20 million in gross sales, and evidence of intentional copying). McNeil has shown that it is substantially likely to succeed in establishing that the trade dress of Splenda has acquired secondary meaning.

3. The Splenda Trade Dress Is Not Functional

37. To succeed on its claim of trade dress infringement, McNeil must also show that the package design it

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seeks to protect is not functional. Merisant argues that the Splenda trade dress includes functional elements and therefore is not entitled to protection. Merisant's argument is misplaced.

38. As the First Circuit has explained, the "core inquiry into whether trade dress is functional requires examination of the effects that granting protection to a product will have on the ability of others to compete." *I.P. Lund*, 163 F.3d at 37. A "functional product feature is one that is 'essential to the use or purpose of the article or [that] . . . affects the cost or quality of the article.'" *Id.* (quoting *Inwood Labs.*, 456 U.S. at 851 n.10). Put another way, a design feature is functional if granting protection to that feature "would permit one competitor . . . to interfere with legitimate (nontrademark-related) competition through actual or potential exclusive use of an important product ingredient." *Qualitex*, 514 U.S. at 170.

39. No element of the Splenda trade dress - including its yellow background color - falls within this definition. Yellow packaging is not essential to the use or purpose of a no-calorie sweetener, and does not affect its cost or quality. As the undisputed evidence showed, many products compete for sales in the no-calorie sweetener segment. Hardly any use yellow packaging.

40. Merisant argues that, because one popular brand of sugar (Domino) uses a bright yellow trade dress, the color yellow

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serves a "functional" purpose of indicating that the product is somehow associated with sugar. This position lacks evidentiary support, and is incorrect. Merisant's witness admitted on cross-examination that he knew of no data to show that consumers associate the color yellow with sugar. Cuervo, Tr. 3/2/04 at 62. In fact, the record shows that most brands of sugar come in white packaging, not yellow. Sandler, Tr. 2/26/04 at 88; PX 52; PX 53; PX 54. Indeed, as noted above, in McNeil's ordinary course of business study only 7 percent of all consumers aware of a brand of sugar said that sugar comes in a yellow package. In contrast, as of 2002, 60 percent of consumers aware of Splenda knew that Splenda comes in a yellow package. PX 18 at 2. These data strongly refute Merisant's claim that yellow is "functional" for sugar.

41. Merisant's survey expert, Mr. Philip Johnson, testified that his survey (discussed in Section I.B.6. below) showed that "the color yellow serves to some extent as a functional attribute suggesting membership in the product genre of sugar substitutes" DX MM; see Johnson⁷, Tr. 2/27/04 at 249. However, as Mr. Johnson conceded on cross-examination, his survey did not measure any of the criteria used by courts to assess whether a design element is functional. Johnson, Tr.

⁷ Philip Johnson, Chief Executive Officer at Leo J. Shapiro and Associates, a Chicago-based market research and consulting company, hereinafter "Johnson".

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2/27/04 at 252-53. Accordingly, the Court should reject Mr. Johnson's testimony on this issue.

42. During closing argument, Merisant raised for the first time the defense of "aesthetic functionality." "[I]f a design's 'aesthetic value' lies in its ability to 'confe[r] a significant benefit that cannot practically be duplicated by the use of alternative designs,' then the design is 'functional.'" *Qualitex*, 514 U.S. at 170 (quoting Restatement (Third) of Unfair Competition § 17, Comment c, pp. 175-176 (1993)). Thus, "where a color serves a significant nontrademark function - whether to distinguish a heart pill from a digestive medicine or to satisfy the 'noble instinct for giving the right touch of beauty to common and necessary things,' G. Chesterton, *Simplicity and Tolstoy* 61 (1912) - courts will examine whether its use as a mark would permit one competitor (or a group) to interfere with legitimate (nontrademark-related) competition through actual or potential exclusive use of an important product ingredient." *Id.*

43. In *Qualitex*, the Supreme Court held that the green-gold color of the plaintiff's laundry pads did not serve an aesthetic function, because, *inter alia*, there was "no competitive need in the press pad industry for the green-gold color[;] . . . other colors are equally usable." *Id.* at 166 (citation omitted). The same is true of the color yellow in the no-calorie sweetener market. As noted above, the vast majority of products in the

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category do not use the color yellow in their trade dress, and there is no essential competitive reason to do so. Accordingly, Merisant's defense of aesthetic functionality lacks merit.

44. McNeil has demonstrated that it is substantially likely to prevail on its claim that the trade dress of Splenda is not functional. McNeil has further shown a substantial likelihood of success in proving that the Splenda trade dress is inherently distinctive, and has acquired secondary meaning. Accordingly, McNeil has met its burden of demonstrating a substantial likelihood of success on its claim that the Splenda trade dress is entitled to protection.

B. The Yellow Same Trade Dress Is Likely To Cause Confusion

45. McNeil has also shown that it is substantially likely to prevail on its claim that the trade dress adopted by Merisant for New Same is likely to cause confusion among consumers of no-calorie sweeteners in Puerto Rico.

46. When a manufacturer launches a new product or package into an established market, it has an affirmative duty to avoid causing confusion with existing brands. *Boston Athletic*, 867 F.2d at 29; *Volkswagenwerk Aktiengesellschaft v. Wheeler*, 814 F.2d 812, 817-18 (1st Cir. 1987). Merisant's New Same package falls short of this standard. To the contrary, it is highly likely to cause consumer confusion with Splenda.

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47. The First Circuit has identified eight factors to be weighed when analyzing whether a defendant's trade dress is likely to cause confusion:

- (1) the similarity of the marks;
- (2) the similarity of the goods;
- (3) the relationship between the parties' channels of trade;
- (4) the relationship between the parties' advertising;
- (5) the classes of prospective purchasers;
- (6) evidence of actual confusion;
- (7) the defendant's intent in adopting its mark; and
- (8) the strength of the plaintiff's mark.

Boston Athletic, 867 F.2d at 29; *Volkswagenwerk Aktiengesellschaft*, 814 F.2d at 817. As the First Circuit has explained, no one factor is determinative and not every factor must favor the owner of the trade dress to support a finding of likely confusion. *Equine Techs., Inc. v. Equitechnology, Inc.*, 68 F.3d 542, 546-47 (1st Cir. 1995); *Maple Grove Farms*, 974 F. Supp. at 85. Here, all eight factors weigh in McNeil's favor.

6. Similarity of the Marks

48. Similarity "is determined on the basis of the total effect of the designation." *Boston Athletic*, 867 F.2d at 29 (citations omitted); *Volkswagenwerk Aktiengesellschaft*, 814 F.2d at 817. The critical inquiry is whether the products "create the

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same general overall impression." *Veryfine Prods.*, 799 F. Supp. at 251 (quoting *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058, 1060 (2d Cir. 1979)). Similarity must be considered in light of what occurs in the marketplace, taking into account the "circumstances surrounding the purchase of the goods." *Calamari Fisheries v. The Village Catch, Inc.*, 698 F. Supp. 994, 1009 (D. Mass. 1988) (citation omitted). Courts typically weigh similarities more heavily than differences. *Id.* (citation omitted).

49. The similarities between the Splenda and Yellow Same packages are numerous. They include:

- (a) the distinctive pastel yellow background;
- (b) the gradually lighter to darker blue lettering of the brand name;
- (c) the oval-shaped white cloud surrounding the brand name;
- (d) the full, white coffee cup and saucer in the foreground on the right side of the package's front panel;
- (e) the sweetener packets resting on the saucer;
- (f) the yellow coloring and blue lettering on the sweetener packets;
- (g) the depiction of a cold beverage with fruit on the left side of the package's front panel;
- (h) the informational banner in the lower left corner with the reference to sugar; and

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- (i) the size and orientation of the two packages.

50. These common elements are more than sufficient to find that the two trade dresses are closely similar. For example, in *Veryfine Prods.*, the court found a "striking similarity" between the labels on the parties' fruit juice bottles based upon similar stylized depictions of fruit and trees, similar or identical bright pastels against a white background, and the same placement of the brand name, legal copy, UPC code, contents and other elements on the labels. 799 F. Supp. at 252. The court noted that the similarity was enhanced by the fact that the parties used the same type of 10-ounce bottles with white caps and that no other competitor had a label and overall trade dress as similar. *Id.* The similarities between New Same and Splenda are at least as plentiful than those cited by the court in *Veryfine*.

51. Merisant argues that the prominent inclusion of its "house mark" - Same - dispels any risk of confusion with Splenda. Courts have repeatedly held that the presence of the defendant's brand name on a look-alike package does not prevent a finding of likely confusion. As the court in *Veryfine* stated, "the argument that the addition of defendant's house mark prevents likely confusion has been labeled a 'smoke screen' and a 'poor excuse' for a blatant infringement because customers are likely to think that the plaintiff had authorized the defendant's use of the mark." 799 F. Supp. at 252; see also *Keds Corp. v. Renee Int'l.*

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Trading Corp., 888 F.2d 215, 222 (1st Cir. 1989) (similarity of labels not cured by different brand names because individuals might assume that the defendant's goods were made by the plaintiff).

52. Merisant relies on *Bristol-Myers Squibb Co. v. McNeil-PPC, Inc.*, 973 F.2d 1033 (2d Cir. 1992), to support its contention that the prominent use of its house mark eliminates any risk of confusion. In *Bristol-Myers* the trade names "Tylenol" and "Excedrin" were "the major features of otherwise ordinary boxes." 973 F.2d at 1046. Indeed, as the Second Circuit noted, the trade dress of the accused product ("Tylenol PM") was "extremely similar to the trade dress of the other 'Tylenol' analgesic products." *Id.* Essentially the only thing the Excedrin and Tylenol boxes had in common was their blue background color - a color that, in itself, was not protectable.

53. Here, the Yellow Same and Splenda packages share many design features aside from a common background color. Moreover, despite being well known in Puerto Rico, the brand name "Same" does not appear to have the same level of recognition as McNeil's famous Tylenol mark. Indeed, in Merisant's own survey, more than 95 percent of consumers shown a box of Yellow Same could not immediately thereafter recall the brand name of the product. See DX MM ¶ 11; DX RR, Table 11-1. This case thus falls outside

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the holding of *Bristol-Myers*, wherein the Second Circuit itself cautioned:

We do not mean to intimate that the distinctive elements of any trade dress may be freely appropriated as long as the junior user clearly identifies the source of the goods.

In many cases, the distinctive elements of a trade dress may themselves be eligible for trademark protection. In other cases the trade name may be a less dominant feature of the entire trade dress and thus have less force in countering other similarities between two trade dresses. Also, the junior user's trade name may less strongly identify a particular source than the 'Tylenol' name at issue here.

Bristol-Myers, 973 F.2d at 1046 (emphasis added).

54. In part because of these important factual distinctions, Merisant's argument that McNeil is judicially estopped by the position it took in *Bristol-Myers* is without merit. Judicial estoppel prevents "a party from abusing the judicial process through cynical gamesmanship" or from "'playing fast and loose with the courts" *Patriot Cinemas v. General Cinema Corp.*, 834 F.2d 208, 212 (quoting *Scarano v. Central R. Co.*, 203 F.2d 510, 513 (3d Cir. 1953)). "[A]lthough the First Circuit had initially embraced the doctrine of judicial estoppel with enthusiasm in *Patriot Cinemas*, it has since imposed many requirements on a party seeking estoppel before a court may take the extraordinary step of rejecting a litigant's entire argument without any consideration of its merits." *Unum Corp. v.*

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United States, 886 F. Supp. 150, 158 (D. Me. 1995). In order for judicial estoppel to apply, a litigant "must, in effect, 'have made a bargain' with the tribunal of the first proceeding by making certain representations to the tribunal in order to obtain a particular 'benefit' from the tribunal." *Id.* (quoting *United States v. Levasseur*, 846 F.2d 786, 792 (1st Cir.), *cert. denied*, 488 U.S. 894 (1988)). "Additionally, the position taken in the second litigation must be 'inconsistent with one successfully and unequivocally asserted by that same party in a prior proceeding.'" *Unum*, 886 F. Supp. at 158 (quoting *United States v. Kattar*, 840 F.2d 118, 130 n.7 (1st Cir. 1988)). Finally, "in the absence of 'deliberate dishonesty [or] . . . any serious prejudice to judicial proceedings or the position of the opposing party,' the doctrine should not be applied." *Unum*, 886 F. Supp. at 158 (quoting *Desjardins v. Van Buren Comm. Hosp.*, 37 F.3d 21, 23 (1st Cir. 1994)).

55. In *Bristol-Myers*, McNeil stated that it does not ordinarily challenge generic manufacturers who copy the colors of McNeil's branded products. See Def.'s Supplemental Brief, Ex. A. Merisant is not a generic manufacturer selling a product identical to Splenda, so the statement on its face does not apply to Merisant's conduct. In any event, McNeil did not "prevail" on this issue in *Bristol-Myers*, nor did it make a "bargain" with the Second Circuit that, if it were to succeed in that case, McNeil

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would never assert its rights in a color scheme against any party in the future. The holding of *Bristol-Myers* was that, despite their similar background color, the two trade dresses at issue were *not* confusingly similar. 973 F.2d at 1046. Here, the Splenda and Yellow Same designs share far more than a common background color, and they are confusingly similar.

56. Moreover, to the extent that the confusion between Splenda and Yellow Same is attributable to similarities in color, the law on color protection has changed since McNeil briefed and argued *Bristol-Myers* to the Second Circuit in 1992. Specifically, in 1995 the U.S. Supreme Court held for the first time that color alone can constitute a protectable trade dress if secondary meaning in the relevant color or color scheme can be established. *Qualitex*, 514 U.S. at 163, 173. Therefore, any position that McNeil took regarding the protection of a color scheme in *Bristol-Myers* has been superceded by new, controlling law.

57. In fact, Merisant's "judicial estoppel" argument based on *Bristol-Myers* has already been rejected by another court. In *McNeil-PPC, Inc. v. Granutec, Inc.*, Slip op. No. 5:94-CV-817-H(2) (E.D.N.C. March 3, 1995) (Exhibit A hereto), the court held that, in *Bristol-Myers*, "McNeil did not state that the law prohibits one from bringing a claim for infringement of color scheme. Rather, McNeil merely stated that it generally did 'not

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challenge such use of its colors.'" Slip op. at 8. Merisant's judicial estoppel theory is thus inapposite.

58. In sum, the first confusion factor - similarity of the marks - weighs heavily in favor of a finding of likely confusion.

2. Similarity of the Goods

59. Although they use different ingredients, Splenda and Same compete directly against one another in the market for no-calorie sweeteners. Sandler, Tr. 2/26/04 at 95. They are similarly priced, they are purchased by the same class of consumers, they appear on the same store shelves and are used in the same manner. *Id* at 97. The more similar the products, the greater the likelihood of confusion. *Boston Athletic*, 867 F.2d at 30. This factor, too, weighs heavily in favor of a finding of likely confusion.

3. Relationship Between the Parties' Channels of Trade

4. Relationship Between the Parties' Advertising

5. Classes of Prospective Purchasers

60. In assessing whether there is a likelihood of confusion, courts in this Circuit generally consider the above factors together. Each supports a finding of likely confusion in this case.

61. When similarly packaged products are sold in the same retail outlets and advertised by the same methods to the

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general public, there is an enhanced likelihood of consumer confusion. *Boston Athletic*, 867 F.2d at 30. That is the situation here: New Same and Splenda are direct competitors, and are sold to the same consumers through the same retail channels. Sandler, Tr. 2/26/04 at 97. Indeed, in some instances, the products are situated directly next to one another on store shelves (see, e.g., Mundo⁸, Tr. 2/26/04 at 205; PX 16; PX 34) - a factor that courts have deemed significant in finding a likelihood of confusion. See *Veryfine Prods.*, 799 F. Supp. at 251-52 (noting that consumers are particularly likely to be confused in making quick selections off shelves when products with similar trade dresses are placed side-by-side).

62. The probability of confusion is further enhanced by the fact that the products are relatively inexpensive, so consumers are less likely to make their selections with care than they would be in choosing among more expensive items. *Boston Athletic*, 867 F.2d at 30.

6. Evidence of Actual Confusion

63. Anecdotal evidence that individual members of the public have already been deceived strongly supports a finding that such confusion is likely to occur. *Boston Athletic*, 867 F.2d at 31-32. Where, as here, a preliminary injunction is sought shortly

⁸ Angel Mundo, Sales Representative for the Management Search and Supporting Services, hereinafter "Mundo".

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after an infringing trade dress first appears, proof of actual confusion is frequently not available, and is not required. See *DeCosta v. Columbia Broadcasting Sys., Inc.*, 520 F.2d 499, 514 (1st Cir. 1975) ("Plaintiff should not be expected to stand by and await the dismal proof"); *Veryfine Prods.*, 799 F. Supp. at 253 ("[P]laintiff can prevail even without any evidence of actual confusion"). Nevertheless, the record before the Court contains evidence of several instances of actual marketplace confusion between Splenda and New Same.⁹

64. A witness for McNeil testified that he had encountered a shopper confused by a store circular promoting New Same. According to the witness, the shopper mistakenly demanded the reduced price Splenda product she believed had been depicted in the circular. In fact, the ad in the circular was for New Same, not Splenda. Muñiz¹⁰, Tr. 2/26/04 at 192-93. Another witness testified that he had observed an instance in which a store employee had confused the Yellow Same product with Splenda, stocking the two products together as if they were one. Mundo, Tr. 2/26/04 at 205. These anecdotal reports strongly support a conclusion that New Same is likely to cause confusion in the

⁹ Defendants have objected to the credibility of witness Beatriz Sifontes. This Court finds that there is sufficient evidence of likelihood of confusion to support its finding regardless of what Ms. Sifontes may have testified.

¹⁰ Felix Muñiz, provides services such as placement of merchandise for Management Search and Supporting Services, hereinafter "Muñiz".

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marketplace. See *Ever-Ready*, 531 F.2d at 384 (store employees presumed to be more knowledgeable than average consumers).

65. Evidence of actual and likely confusion can also be found in the consumer survey conducted by Merisant. Although the survey was offered to show an *absence* of likely confusion, in fact it shows that consumers who encounter New Same in the marketplace *are likely to be confused* about the product's source or affiliation.

66. In Merisant's survey, purchasers of no-calorie sweeteners in San Juan were shown one of two products: Yellow Same or another brand relatively unknown in Puerto Rico called Sugar Twin. See PX 30. Respondents in each group were permitted to examine the box as if they were considering it for purchase. The box was then removed and respondents were asked a series of questions. Immediately prior to the questioning, however, each respondent was "admonished" to answer only if he or she "knew" and not to guess. Johnson, Tr. 2/27/04 at 193; DX NN.

67. The respondents in Merisant's survey were first asked, "Based on what you just saw, do you or don't you know who or what brand or company makes or puts out the sugar substitute that I showed you?" DX NN. Although they had just finished examining the product, only 3.4 percent of the 410 respondents shown the Yellow Same package identified the brand as Same. A

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slightly higher percentage - 4.1 percent - identified it as Splenda. DX MM ¶ 11; DX RR, Table 11-1; Mazis, Tr. 2/27/04 at 32.

68. As Professor Mazis testified, the tortured wording of this question likely contributed to its extremely low response rate. The question uses the word "or" four times in a single sentence. Mazis, Tr. 2/27/04 at 37. Following the strong "admonishment" to respond only if they *knew* the correct answer, and not to guess, participants in Merisant's survey overwhelmingly indicated that they *did not* know "who or what brand or company makes or puts out" the product they had just seen.

69. Merisant's expert Mr. Johnson testified that, in formulating this question, he was guided by the survey conducted and approved by the Court in *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366 (7th Cir. 1976) ("*Ever-Ready*"). The actual question asked in *Ever-Ready* was much simpler than the one developed by Mr. Johnson: "Who do you think puts out the lamp shown here?" *Ever-Ready*, 531 F.2d at 385 n.11. The differences between Mr. Johnson's question and the question in *Ever-Ready* are material, and likely affected the responses.

70. Regardless of how they answered this initial query, respondents were asked a follow-up question: "Do you believe that whoever makes or puts out the sugar substitute that I showed you is or is not related to, sponsored by, or associated with any other brands or manufacturer?" DX MM at ¶ 12; DX NN. 22 percent

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of the 410 respondents shown the Yellow Same package answered "Splenda." A much lower percentage - 3.7 percent - named Same. DX MM at ¶ 12; DX RR, Table 14-1; Mazis, Tr. 2/27/04 at 32-33.

71. Combining the answers from these two questions, roughly one in four respondents (24.9 percent) shown the Yellow Same box said that it was either produced by or associated with the manufacturer of Splenda. DX MM at ¶ 13; DX ZZ. In comparison, only 6.6 percent of the consumers shown the Yellow Same package said it was produced by or associated with Same. DX RR, Tables 11-1 and 14-1. In other words, ***roughly four times as many respondents connected Yellow Same with the manufacturer of Splenda than with the producer of Same.***

72. Merisant nonetheless argues that the results of this survey support its position because the data from the "control" group - respondents shown a package of Sugar Twin - largely offset the results from the "test" or Yellow Same group. 20.6 percent of the respondents shown the Sugar Twin package said it is produced by or associated with the manufacturer of Splenda. DX MM at ¶ 13; DX ZZ. Merisant and its expert Mr. Johnson thus concluded that the "net" confusion rate between Yellow Same and Splenda is a negligible 4.3 percent (24.9% "test" group less 20.6% control group = 4.3%). DX MM at ¶ 13.

73. The question, however, is whether the Sugar Twin package shown to the "control" group was a real or appropriate

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"control" capable of identifying the "noise" level inherent in the survey, or merely a different source of genuine confusion.

Professor Mazis testified, and the record as a whole strongly indicates, that Sugar Twin was **not** an appropriate control for Merisant's survey, and the results concerning Sugar Twin do not reflect "noise" that should be subtracted from like responses in the group exposed to Yellow Same.

74. As Merisant's witness Mr. Johnson noted in his expert report, a control should "account for what ever [sic] proportion of the relevant universe might guess or falsely name a particular brand or manufacturer as a source simply because it is a popular product in the same genre of products." DX MM at ¶ 8. Here, the respondents who named Splenda after seeing a package of Sugar Twin were not responding based on Splenda's popularity; they were answering based upon similarities between the trade dresses of Splenda and Sugar Twin. These two products share a number of key design elements: both are sold in horizontal packages; both include images of coffee and iced tea; and, most importantly, both use a yellow background color with white and blue accents PX 1; PX 30. When asked "why" they believed that Sugar Twin and Splenda share a common producer or are otherwise associated with one another, respondents in Merisant's survey overwhelmingly cited design attributes such as color, lettering style and package

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appearance as their reasons for making this connection. See DX MM at ¶ 13; DX RR, Tables 12-1, 12-3, 15-1 and 15-3.

75. It is firmly established that "[i]f . . . the control stimulus in a case of alleged trademark infringement is itself a likely source of consumer confusion, reactions to the experimental and control stimuli may not differ because both cause respondents to express the same level of confusion." Shari Seidman Diamond, Reference Guide on Survey Research, in Federal Judicial Center, Reference Manual on Scientific Evidence (2nd ed. 2000) (PX 74), at 258. The control stimulus chosen by Merisant suffers from this fatal defect. See Mazis, Tr. 2/27/04 at 49-50.

76. Merisant relies on *Cumberland Packing Corp. v. Monsanto Co.*, 32 F. Supp. 2d 561 (E.D.N.Y. 1999), for the proposition that, in a survey designed to measure confusion between no-calorie sweeteners, a control package must use the same background color as the test package. In *Cumberland*, both the plaintiff's and the defendant's aspartame products were sold in predominantly blue boxes, as were several other aspartame brands. 32 F. Supp. 2d at 566, 568. Indeed, according to the court, the color blue had taken on the "functional" purpose in the no-calorie sweetener market of identifying the ingredient aspartame. *Id.* at 568. The court thus determined that any control package had to account for whatever confusion might have resulted from the fact

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that both products came in blue packaging - a design element that any competitor was free to use. *Id.* at 574-75, 579.

77. Central to the court's holding in *Cumberland* was the fact that, by the time the case was decided, numerous aspartame products were being marketed in blue packaging. Years earlier Equal, the first aspartame brand, had attempted to secure exclusive rights to the color blue, but its efforts failed due to the prevailing law at the time that color alone could not be protected as a trade dress. See *NutraSweet Co. v. Stadt Corp.*, 917 F.2d 1024, 1027 n.6 (7th Cir. 1990) (noting that plaintiff sought "to appropriate a mere color, i.e., a color unconfined by any design"). The U.S. Supreme Court abrogated this rule in 1995 in *Qualitex*. *Qualitex*, 514 U.S. at 163 ("[w]e cannot find in the basic objectives of trademark law any obvious theoretical objection to the use of color as a trademark, where that color has attained 'secondary meaning' and therefore identifies and distinguishes a particular brand (and thus indicates its 'source')"). Unlike the situation in *Cumberland*, the color yellow is not functional for the ingredient in Splenda (sucralose) and is capable of serving as a source identifier for Splenda. Thus there is no reason in this case to "control" for any confusion caused by the presence of yellow on both the Splenda and Yellow Same packages.

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78. Merisant also argues that, because Sugar Twin does not *infringe* the Splenda trade dress, it is *ipso facto* a proper control for a trade dress confusion survey. This is incorrect. Sugar Twin does not infringe the Splenda trade dress because it was first marketed prior to the introduction of Splenda. When McNeil introduced Splenda in 2000, Sugar Twin was a fledgling brand with limited consumer awareness and no advertising support. Sandler, Tr. 2/26/04 at 101. Today, it is teetering on the verge of extinction: its share of the Puerto Rico no-calorie sweetener market is less than one-tenth of one percent, and few consumers in Puerto Rico have ever heard of it. See *id.* at 101-03; Johnson, Tr. 2/27/04 at 188-89 (noting that Sugar Twin was chosen as a control for Merisant's survey in part because it is unknown to Puerto Rico consumers); DX V (survey introduced by Merisant showing no mentions of Sugar Twin among purchasers of no-calorie sweeteners in Puerto Rico). McNeil did not adopt a yellow color scheme for Splenda in order to trade upon the goodwill or reputation of Sugar Twin. Sandler, Tr. 2/26/04 at 103. To the extent it has remained a viable competitor, the Sugar Twin brand has coexisted peacefully alongside Splenda. *Id.* at 104.

79. But Sugar Twin's "noninfringing" status does not rule out the possibility that a consumer unfamiliar with Sugar Twin may, upon first exposure to the product, associate it with Splenda. The results of Merisant's survey indicate that roughly

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one in five consumers shown a box of Sugar Twin makes such a connection, and does so for reasons relating to the respective products' trade dress. This suggests that, in light of the acquired popularity of Splenda, there is a potential for association between Splenda and Sugar Twin. Of course, in view of Sugar Twin's tiny market share, any confusion between these two brands is necessarily minimal. In any event, the fact that McNeil could not take legal action against Sugar Twin (due to Sugar Twin's priority) cannot justify Merisant's blatant infringement of the Splenda trade dress.

80. In sum, Merisant's survey shows that there is actual and likely confusion in the market between Splenda and Yellow Same, and greatly enhances McNeil's likelihood of success on the merits.

7. The Defendant's Intent In Adopting Its Trade Dress

81. A defendant's act of copying another's trade dress is indicative of its intent to trade on that person's reputation and goodwill, and supports a finding of likely confusion. See *Boston Athletic*, 867 F.2d at 32; see also *Shakespeare Co. v. Silstar Corp. of Am., Inc.*, 110 F.3d 234 (4th Cir. 1997).

82. At the preliminary injunction hearing, Merisant's witness testified that New Same was conceived specifically to compete against Splenda. Cuervo, Tr. 3/2/04 at 19. Merisant's

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internal documents reflect as much, noting that the product is positioned "directly against other products that claim to be 'made from sugar'" (DX W) and that sales of New Same will come "60% [from] Splenda users" (DX X). Nevertheless, according to Merisant's witness, the striking similarities between the New Same and Splenda packages are merely a coincidence. For instance, Merisant's witness claimed that the product's yellow background color is similar to one that Merisant once considered (but rejected) for another product, and that images used on the New Same package were sourced from other no-calorie sweeteners sold by Merisant elsewhere in Latin America. Cuervo, Tr. 3/2/04 at 30, 32-33.

83. This testimony was simply not credible. Especially in view of Merisant's admission that it created Yellow Same and positioned it specifically to compete against Splenda, it is inconceivable that the stark similarity in appearance between the two products is purely coincidental. This conclusion is reinforced by the fact that the trade dress of New Same bears no resemblance whatsoever to the trade dress of Original Same. Compare PX 2 with PX 3; see *Cooperativa de Cafeteros de Puerto Rico v. F. Colón Colón*, 91 P.R.R. 361, 387 (1964) (finding trade dress infringement where "appellee changed the label on its bags for the purpose of increasing its sales, which had been decreasing during the years prior to 1958, and for said purpose, in

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[choosing] a design very similar to appellant's, evidently he tried to take advantage of appellant's good will"). To the extent that Merisant claims that it picked a yellow color scheme because yellow is "functional" for sugar, its assertion is belied by its own admission that it has no data to suggest that consumers view the color yellow in this fashion. See *Cuervo*, Tr. 3/2/04 at 62. In fact, as noted above, the available data show that consumers do not associate sugar with yellow packaging. PX 18 at 2.

84. A trademark plaintiff need not show intent to deceive or fraudulent intent because "if potential purchasers are confused, no amount of good faith can make them less so." *Polo Fashions, Inc. v. Fernández*, 655 F. Supp. 664, 667 (D.P.R. 1987) (quoting *Fuji Photo Film v. Shimohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 596 (5th Cir. 1985)). However, it "is well established that if there is proof that a defendant intentionally set out to deceive or mislead consumers, a presumption arises that customers in fact have been deceived." *Cashmere & Camel Hair Manufacturers Institute v. Saks Fifth Avenue*, 284 F.3d 302, 316 (1st Cir. 2002).

85. Once a plaintiff establishes that a defendant has adopted a mark for the purpose of trading on plaintiff's goodwill, a presumption arises that consumer confusion is likely. See *Porous Media Corp. v. Pall Corp.*, 110 F.3d 1329, 1333 (8th Cir. 1997) (approving a presumption of consumer deception upon a

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finding that defendant acted deliberately to deceive); *Polo Fashions v. Fernández*, 655 F. Supp. at 667 (a "finding of bad faith . . . may give rise to a presumption that the adoption of a mark similar to that of another is likely to cause confusion and may without more prove infringement"); *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 34 (1st Cir. 1989); *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 263 (5th Cir.), cert. denied, 449 U.S. 899 (1980). "Once the intent to cause confusion is established, the court will presume that the infringer accomplished his purpose." *Polo Fashions, Inc. v. Extra Special Products, Inc.*, 451 F. Supp. 555, 562 (S.D.N.Y. 1978) (emphasis added).

86. Here, the evidence strongly supports a finding that Merisant copied numerous features of the Splenda trade dress for the purpose of enhancing the ability of New Same to compete with Splenda. This not only supports a *finding* of likely confusion, but raises a *presumption* that confusion among consumers is likely to occur. *Polo Fashions*, 451 F. Supp. at 562.

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8. Strength of Plaintiff's Mark

87. In this Circuit, the strength of a plaintiff's trade dress is determined in light of: (1) the length of time it has been used and the plaintiff's relative renown in its field; (2) whether there are any similar designs in the relevant market; and (3) whether the plaintiff has actively promoted its trade dress. *Boston Athletic*, 867 F.2d at 32 (citations omitted); *Volkswagenwerk Aktiengesellschaft*, 814 F.2d at 819. These factors are similar to those used to assess secondary meaning.

88. The Splenda trade dress qualifies as a strong mark. Splenda is a well-know and fast selling no-calorie sweetener in both the U.S. and Puerto Rico; it is heavily advertised and promoted; and it is the only major brand with yellow packaging. When a strong mark is copied - as is the case here - the likelihood of confusion is enhanced.

89. In sum, all of the factors enumerated by the First Circuit weigh in favor of a likelihood of confusion. McNeil is highly likely to prevail on the merits of its trade dress infringement claim.

II. McNeil Will Suffer Irreparable Injury Absent Preliminary Relief

90. In this Circuit, once a plaintiff demonstrates a likelihood of success on the merits of its trademark or trade

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dress infringement claim, irreparable injury is presumed. *Camel Hair & Cashmere Inst. v. Associated Dry Goods Corp.*, 799 F.2d 6, 14 (1st Cir. 1986); *Calamari Fisheries*, 698 F. Supp. at 1013.

Because McNeil has shown a strong likelihood of success on the merits, this Court may presume that irreparable injury will follow absent preliminary relief.

91. Beyond this presumption, the record shows that McNeil in fact will face irreparable injury if Merisant is permitted to continue marketing Yellow Same during the pendency of this action. First, McNeil stands to lose substantial sales of Splenda as consumers purchase Yellow Same in the mistaken belief that it is the same product as, or is otherwise associated with, Splenda. Merisant projects that Yellow Same will achieve a 5 percent share of the Puerto Rico no-calorie sweetener market within one year, and that 60 percent of this business will come from current purchasers of Splenda. DX X. However, as Merisant's witness was quick to point out, these are mere estimates. Cuervo, Tr. 3/2/04 at 19. There is no way to quantify precisely the amount of business that McNeil will lose due to the marketplace confusion that Yellow Same will cause. Sandler, Tr. 2/26/04 at 97-98. This supports a finding of irreparable harm. See *Perfumania, Inc. v. Perfulandia, Inc.*, 279 F. Supp. 2d 86, 103-04 (D.P.R. 2003) ("By its very nature, trademark infringement results

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in irreparable harm because the attendant loss of profits, goodwill, and reputation cannot be satisfactorily quantified[.]").

92. Second, because consumers erroneously associate Yellow Same with Splenda, McNeil currently lacks full control over the goodwill associated with its brand. Consumers who do not care for the taste of Yellow Same may simply attribute their unsatisfactory experience to Splenda and forego any future purchase of the product, causing irreparable injury to McNeil. Sandler, Tr. 2/26/04 at 98-99.

93. Third, by utilizing a trade dress confusingly similar to McNeil's, Merisant is receiving a "free ride" on the immense popularity and goodwill that McNeil has achieved, at great expense, for Splenda. Such tactics permit Yellow Same to compete effectively with Splenda without incurring the same marketing costs, and constitute irreparable injury to McNeil. *Boston Athletic*, 867 F.2d at 33 ("Defendants thus obtain a 'free ride' at plaintiffs' expense.").

94. In sum, the record strongly supports a conclusion that McNeil will suffer irreparable injury absent preliminary relief.

III. The Balance of Hardships Favors McNeil

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95. The third showing that McNeil must make is that the balance of hardships flowing from a preliminary injunction tips in McNeil's favor. McNeil has met this burden.

96. McNeil has invested more than \$100 million in advertising and promotion of Splenda, and has established a brand that generates more than \$200 million in annual sales - more than any other no-calorie sweetener. In contrast, Merisant's investment to date in Yellow Same is minimal. Its internal documents show that it has a marketing budget for Yellow Same of about \$200,000. DX W. Clearly, McNeil has more at stake in this litigation than does Merisant, and the denial of an injunction would injure McNeil more than a grant of preliminary relief would injure Merisant.

97. If an injunction were entered, Merisant would be free to market all of the products it sold in Puerto Rico prior to the introduction of Yellow Same, and still sell (Equal, NutraSweet and Blue Same). Merisant would also be free to market its new formulation of Same. The only direct effect on Merisant would be a prohibition against marketing New Same in packaging that is confusingly similar to Splenda. That is not an undue hardship, particularly in view of the effect that denial of a preliminary injunction would have on McNeil.

98. To the extent that Merisant would be damaged by an injunction, its injury is entirely self-inflicted. In balancing

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hardships, courts generally place little weight on injuries that parties bring upon themselves through blatant misconduct. See *Pappan Enterprises, Inc. v. Hardee's Food Systems, Inc.*, 143 F.3d 800, 806 (3d Cir. 1998) ("The self-inflicted nature of any harm suffered by [trademark infringer] also weighs in favor of granting preliminary injunctive relief."); *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1003 (Fed. Cir. 1986) ("One who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continuing infringement destroys the business so elected.").

99. In sum, the balance of hardships favors McNeil and weights in favor of a grant of preliminary injunctive relief.

IV. The Public Interest

100. There is a strong public interest in preventing consumer confusion caused by a misappropriated trademark or trade dress. As the Supreme Court has observed,

[T]rademark law, by preventing others from copying a source-identifying mark, reduces the customer's costs of shopping and making purchasing decisions, for it quickly and easily assures a potential customer that *this* item - the item with this mark - is made by the same producer as other similarly marked items that he or she liked (or disliked) in the past. At the same time, the law helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product. The law thereby encourages the production of quality products, and simultaneously discourages those who hope to sell inferior products by capitalizing on a

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consumer's inability quickly to evaluate the quality of an item offered for sale.

Qualitex, 514 U.S. at 163-64. A preliminary injunction in this case would prevent consumer confusion, and would clearly serve the interests of Puerto Rico consumers. See *Public Service Co. of New Mexico v. Nexus Energy Software, Inc.*, 36 F. Supp. 2d 436, 439 (D. Mass. 1999) (granting preliminary injunction because "eliminating confusion in the marketplace and providing protection for an established [trade dress] furthers the public interest").

101. Finally, the marketing of Yellow Same in packaging that is confusingly similar to Splenda poses a potential health risk to consumers with a rare disease known as phenylketonuria (PKU). All aspartame products, including Yellow Same, contain phenylalanine, which can cause serious adverse effects if ingested by individuals with PKU. The FDA requires all products that contain phenylalanine to carry a special label statement to that effect, and the Yellow Same product includes this statement. However, if a consumer with PKU were to mistakenly purchase Yellow Same believing it to be Splenda, he or she may not re-read the label of an apparently familiar product. Such a consumer would not receive the FDA-prescribed notice and may be put at risk due to the confusing nature of the Yellow Same product. Sandler, Tr. 2/26/04 at 99-100. Thus, the public interest favors injunctive relief.

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102. All four elements of the test for preliminary injunctive relief are satisfied. McNeil's motion for a preliminary injunction should be granted.

V. Scope of Relief and Bond

A. McNeil Is Entitled To A Product Recall

103. Where, as here, there is a strong likelihood of consumer confusion, a court may order as part of a preliminary injunction that defendant recall infringing goods, so as to restore the status quo pending a final resolution on the merits. *See, e.g., Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 111 F.3d 993, 997 (2d Cir. 1997) (affirming preliminary injunction that required defendant to remove all infringing trade dress from retail stores around the world during pendency of action); *Chere Amie, Inc. v. Windstar Apparel, Corp.*, 191 F. Supp. 2d 343 (S.D.N.Y. 2001) (granting preliminary injunction and ordering that defendants recall from all distributors, wholesalers, jobbers, dealers, and retailers any products employing the plaintiffs' trademark). Without such relief, McNeil will continue to be injured by confusingly similar packages that remain on store shelves throughout Puerto Rico.

B. McNeil Is To Post a Bond in the Amount of \$350,000

104. As security for the preliminary injunction requested herein, McNeil shall post a bond in the amount of \$350,000. Such a bond would cover the full amount of Merisant's

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out-of-pocket expenses in launching New Same. See DX W (noting that "a successful . . . launch will require an investment of approximately \$200,000"). In addition, this figure takes into account the \$58,000 that were budgeted for trade activities involving the product launch. This figure represents a fair estimate of the out-of-pocket loss for which Merisant is entitled to security. See *I.P. Lund Trading ApS v Kohler Co.*, 11 F. Supp. 2d 127, 135 (D. Mass.) (Fed. R. Civ. P. 65(c)'s stated purpose is to reimburse defendants for direct injuries due to the injunction), *vacated in part on other grounds, I.P. Lund*, 163 F.3d 27 (1st Cir. 1998); *Bear U.S.A., Inc. v. A.J. Sheepskin & Leather Outerwear, Inc.*, 909 F. Supp. 896, 9170 and n.25 (S.D.N.Y. 1995) (amount of bond should reflect credible evidence as to the quantum of injury that the defendant realistically might be expected to sustain in the event that the injunction is wrongfully issued).

105. Merisant asserts that, if an injunction is issued, it will lose the value of existing inventories of its New Same product. However, on cross-examination Merisant's witness admitted that, if enjoined, Merisant could sell its inventory of Yellow Same in non-U.S. markets where Merisant currently markets Blue Same. Cuervo, Tr. 3/2/04 at 78. Because it has at its disposal a means to recoup its losses, Merisant is not entitled to security to cover the value of its existing inventory.

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106. Merisant also claims that, should an injunction issue, it may be required to reimburse retailers who incur fines as a result of their inability to deliver a product they have advertised. See Cardona Aff. ¶¶ 11 and 14; Cuervo, Tr. 2/3/04 at 33-34. There is no credible proof to support this assertion. Indeed, it seems implausible that the Puerto Rico Department of Consumer Affairs (DACO) would fine merchants solely for complying with an order of this Court to cease selling infringing goods that are likely to confuse consumers. In any event, DACO's Regulation on Misleading Practices and Advertisements, Regulation No. 6772, Rule 14, permits businesses to provide the consumer, in substitution of an announced good that is unavailable, a similar good of equal or superior quality to the announced good. The record amply shows that any number of artificial sweeteners could be substituted for Yellow Same should the need arise. Accordingly, Merisant is not entitled to security to cover its alleged (but unproved) costs for reimbursement of fines.

107. Finally, Merisant contends that, in addition to its out-of-pocket losses, it will suffer injury to its business reputation if New Same is preliminary enjoined. Such unquantified losses, if any, are highly speculative, and need not be included in the face amount of a security bond. *Processed Plastic Co. v. Warner Communications, Inc.*, 675 F.2d 852, 858-59 (7th Cir. 1982)

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(district court did not abuse its discretion in rejecting a bond request that was speculative).

108. For these reasons, the Court sets the amount of the bond at \$350,000.

CONCLUSION

For the foregoing reasons, this Court GRANTS McNeil's motion for a preliminary injunction. An order shall issue accordingly.

IT IS SO ORDERED.

In San Juan, Puerto Rico, this 29th day of July, 2004.

S/Jay A. Garcia-Gregory
JAY A. GARCIA-GREGORY
United States District Judge